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MENTOR

EXPLORATION & DEVELOPMENT
CO., LIMITED



ANNUAL
REPORT

FOR THE YEAR ENDED DECEMBER 31ST, **1970**

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office

Suite 1101, 365 Bay Street
Toronto, Ontario

Directors

ARCHIE BASEN
PHILIP T. DRUTZ
SAMUEL GELLER
WILLIAM L. HOGARTH, JR.
PAUL PENNA
JOHN L. VORBACH, JR.

Officers

PAUL PENNA, *President*
JEAN GELLER, *Secretary-Treasurer*
WM. L. HOGARTH, JR., *Assistant Secretary-Treasurer*

Consulting Geologist

W. A. HUBACHECK, B.Sc., P.ENG.

Transfer Agent and Registrar

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

Auditors

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants
Toronto, Ontario

Shares Listed

TORONTO STOCK EXCHANGE
Toronto, Canada

Annual Meeting

April 29, 1971, 11:30 a.m. (Toronto Time),
Royal York Hotel,
100 Front Street West,
Toronto, Ontario

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED



DIRECTORS' REPORT

To the Shareholders:

The Directors present the audited financial statements of the Company for the year ended December 31, 1970 and also the following general review of activities and principal investments.

While the Company was relatively inactive in exploration during the year, preliminary investigations were made on a number of prospects and various property submissions. After reviewing the available data and carrying out field examinations of some of the more interesting showings, none of these were recommended for further exploration.

The principal items of interest for your Company are its shareholdings in Eagle Gold Mines Limited, Agnico Mines Limited and Sudbury Contact Mines Limited.

Eagle Gold Mines Limited

During 1970, your Company sold 100,000 shares of Eagle Gold Mines for \$221,375 and bought 59,500 shares at a cost of \$136,456. Subsequent to the year end, the Company sold 150,000 shares for a profit of approximately \$130,000 and on March 2, 1971 purchased for investment purposes a block of 200,000 shares at a cost of \$425,000.

Your Company's holding in Eagle Gold Mines Limited as at March 9th, 1971 amounted to 552,996 shares at a total cost of \$996,879. The approximate market quotation for Eagle Gold Mines Limited on March 9th, 1971 was \$3.30 per share. Therefore, the quoted market value of the 552,996 shares held would approximate \$1,825,000.

As previously reported, Eagle Gold Mines Limited decided to defer bringing its gold mining property in Joutel Township, Quebec, into production in view of increased cost estimates and existing market prices for gold. The company has discontinued construction of its required mining facilities and placed its property on a care and maintenance basis.

To date, Eagle Gold Mines Limited has expended \$4,024,862 in fixed assets and \$5,009,292 in deferred expenses in connection with the program of underground development and construction of the necessary mining and ore treatment facilities.

During January of 1971, Eagle Gold Mines Limited announced it had acquired control of a group of 34 claims adjoining its gold property in Joutel Township, Quebec, by purchasing approximately 86% of the capital stock of Telbel Mines Limited which is the holder of these claims.

The shareholding in Telbel Mines Limited was purchased from Mining Corporation of Canada (1964) Ltd., a wholly owned subsidiary of Noranda Mines Limited. Telbel Mines Limited is now a subsidiary of Eagle Gold Mines Limited.

This group of 34 claims was acquired to provide protection along the projected southeasterly rake of the main gold orebody of Eagle Gold Mines Limited. Underground work indicates that the east end of the orebody enters this newly acquired ground at about the 1,300-ft. horizon. Assuming the ore zone continues to depth and maintains its present rake, the west end of the orebody would enter these new claims at approximately 3,700 feet below surface.

The mineralized zone containing the ore lenses has been established to date over a length of 2,000 feet and from 300 feet below surface to the 1,800-ft. level, the deepest horizon tested by diamond drilling. There is no known geological reason why this zone will not go to much greater depth.

An important added factor to the protection of the projected easterly rake of the main gold orebody is that this newly acquired ground also provides a further 8,000 feet of strike length along the main gold bearing structure which is unexplored at its most favourable horizon.

On the main or original property there is some 4,000 feet of total strike length west from the present underground workings to the property which presents similar geological considerations. The combined properties provide nearly three

miles of strike length along this main gold bearing structure.

Proven and probable reserves in the area of the mine from the 900-ft. to the 1,500-ft. levels where underground work was most advanced, are estimated at 753,909 tons averaging 0.307 ounce of gold per ton. The drill-indicated or possible reserves calculated for the area above the 750-ft. level and down to the 1,800-ft. horizon, are estimated at 2,397,748 tons averaging 0.285 ounce of gold per ton. These figures include a 15% allowance for dilution.

It is an interesting observation that Eagle Gold Mines Limited is one of the very few remaining gold mines in Canada with appreciable ore reserves. The decision to defer production owing to the factors mentioned has conserved this asset against a time when the gold price may improve to such levels to enable profitable recovery of the contained gold. It is estimated that approximately nine months would be required to complete the final phase of the underground work and the surface construction to bring the mine into production from the time such a decision might be made.

Agnico Mines Limited

Your Company's holding in Agnico Mines Limited which amounted to 230,300 shares at the beginning of the year, has shown an appreciable increase in quoted value. The 1970 opening price of Agnico shares was \$1.00 while the closing price at the end of 1970 was \$2.14. During the year, your Company purchased an additional 85,600 shares of Agnico and subsequently sold 49,900 shares with the total number

DIRECTORS' REPORT (Continued)

held as at December 31, 1970 amounting to 266,000 shares.

In 1970 Agnico was the leading silver producer in the Cobalt Area of Ontario with production in that year totalling 1,070,031 ounces and a net income of \$372,021. The company's 1970 annual report mentions, among other favourable developments at its main producing properties, a significant new high grade silver discovery at its leased Trout Lake #2 Shaft Property in South Lorrain Twp. (about 30 miles south of Cobalt) where mining is scheduled to commence early in 1971.

Agnico Mines Limited purchased \$800,000 principal amount of secured debentures of Eagle Gold Mines Limited during 1970. The secured debentures are accompanied by warrants to purchase 800,000 treasury shares of Eagle Gold Mines Limited, exercisable at \$1.00 per share to June 1, 1973 and at \$1.50 per share from June 2, 1973 to June 1, 1975. None of these warrants to purchase shares has been exercised to date.

Sudbury Contact Mines Limited

During 1970, your Company sold 100,000 shares of Sudbury Contact Mines Limited reducing its holding in this company to 885,582 shares at December 31, 1970. This shareholding is shown on the financial statement at a cost of \$99,919.

General

In addition to the 18 claim property in the Blind River-Elliot Lake area, Ontario, your Company retains a minority interest in Cochenour Explorations Limited.

On behalf of the Board of Directors

"PAUL PENNA"

President

March 9th, 1971

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1970 and the statements of income, retained earnings (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**STARKMAN, KRAFT, ROTHMAN, BERGER
& GRILL**

Chartered Accountants

*Toronto, Ontario
February 26, 1971*

BALANCE SHEET — As at December 31, 1970

(With comparative figures as at December 31, 1969)

ASSETS

CURRENT ASSETS	1970	1969
Cash	\$ 16,178	\$ 3,731
Marketable securities, at lower of cost and market (market value 1970 — \$589,280; 1969 — \$264,696)	324,958	264,696
Prepaid expenses	2,973	3,473
	<u>\$ 344,109</u>	<u>\$ 271,900</u>
INVESTMENTS		
Due on sale of shares of Eagle Gold Mines Limited	\$ 221,375	\$ —
Shares of Eagle Gold Mines Limited, at lower of cost and market		
— free (market value 1970 — \$1,071,351; 1969 — \$1,263,263)	825,988	763,918
— escrowed	—	92,114
	<u>\$1,047,363</u>	<u>\$ 856,032</u>
Shares of affiliated company, at cost (market value 1970 — \$411,796; 1969 — \$374,521)	99,919	111,199
Investment in and advances to other companies		
— unlisted and escrowed securities, at cost or less	13,460	13,460
— advances	940	1,268
	<u>\$1,161,682</u>	<u>\$ 981,959</u>
FIXED ASSETS, at cost		
Office furniture	\$ 3,384	\$ 3,384
Less: Accumulated depreciation	1,898	1,559
	<u>\$ 1,486</u>	<u>\$ 1,825</u>
Mining claims and properties	139,308	141,308
	<u>\$ 140,794</u>	<u>\$ 143,133</u>
DEFERRED EXPLORATION EXPENDITURES	\$ 417,933	\$ 434,219
	<u>\$2,064,518</u>	<u>\$1,831,211</u>

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated February 26, 1971.

(Incorporated under the laws of the Province of Ontario, Canada)

CURRENT LIABILITIES

SHAREHOLDERS' EQUITY

Authorized

Issued and fully paid

CONTRIBUTED SURPLUS	245,093	245,093
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Approved on behalf of the Board:

PAUL PENNA, Director.

SAMUEL GELLER, Director.

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF INCOME

For the Year Ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

REVENUE	1970	1969
Profit on sale and revaluation of marketable securities and investments (net)	\$ 153,374	\$ 2,447
Interest and dividends	—	7,699
	<u>\$ 153,374</u>	<u>\$ 10,146</u>
EXPENSES		
Administration, office and accounting	\$ 9,000	\$ 7,200
Interest and bank charges	7,641	898
Legal and audit	5,772	3,827
Shareholders' information	4,210	4,642
Consulting fees, general	2,102	4,092
Transfer agent fees	1,994	1,509
Miscellaneous	1,688	3,785
Depreciation, office furniture	339	339
Directors' fees	250	150
	<u>\$ 32,996</u>	<u>\$ 26,442</u>
NET INCOME (LOSS) FOR THE YEAR	\$ 120,378	\$ (16,296)

STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

	<u>1970</u>	<u>1969</u>
RETAINED EARNINGS (DEFICIT), beginning of year	\$ (17,600)	\$ 117,446
Less: Exploration expenditures written off — Poirier Township . . .	(18,123)	—
— Red Lake area . . .	(880)	—
Option on claims dropped — Poirier Township	(2,000)	—
— Red Lake area	(500)	—
Advances to other company written off	(370)	—
Investment in and advances to Cochenour Explorations Limited written off	—	(118,750)
	<u>\$ (39,473)</u>	<u>\$ (1,304)</u>
Add: Net income (loss) for the year	120,378	(16,296)
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ 80,905</u>	<u>\$ (17,600)</u>

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the Year Ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

EXPENDITURES DURING YEAR	1970	1969
Sycee Group, Cobalt		
Maintenance	\$ 1,077	—
Red Lake Area		
Consulting	\$ 539	\$ —
Travel	328	—
Exploration and general field expenses	13	951
Advances re drilling and exploration programme	—	14,250
	\$ 880	15,201
Gillies Limit, Cobalt		
Licences, fees and taxes	\$ 118	\$ 140
Surveys	—	7,523
Engineering fees, exploration	—	1,000
	\$ 118	\$ 9,353
Poirier Township		
Diamond drilling	—	\$ 17,182
Licences, fees and taxes	—	240
General field expenses	—	701
	—	\$ 18,123
Other Properties		
Licences, fees and taxes	\$ 642	\$ 583
TOTAL EXPENDITURES DURING YEAR	\$ 2,717	\$ 43,260
Less: Amounts written off to retained earnings		
— re Poirier Township	(18,123)	—
— re Red Lake area	(880)	—
— re Cochenour Explorations Limited	—	(98,750)
	\$ (16,286)	\$ (55,490)
DEFERRED EXPLORATION EXPENDITURES, beginning of year	434,219	489,709
DEFERRED EXPLORATION EXPENDITURES, end of year	\$ 417,933	\$ 434,219

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

	1970	1969
Sycee Group	\$ 292,150	\$ 291,003
Hill Group	61,582	61,008
Red Lake area	24,285	24,285
Gillies Limit	22,735	22,617
Cobalt area	15,229	15,220
Halet Group	1,568	1,440
Chandler Group	384	384
Poirier Township	—	18,123
	\$ 417,933	\$ 434,219

The accompanying notes form an integral part of these financial statements.

MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1970

(With comparative figures for the year ended December 31, 1969)

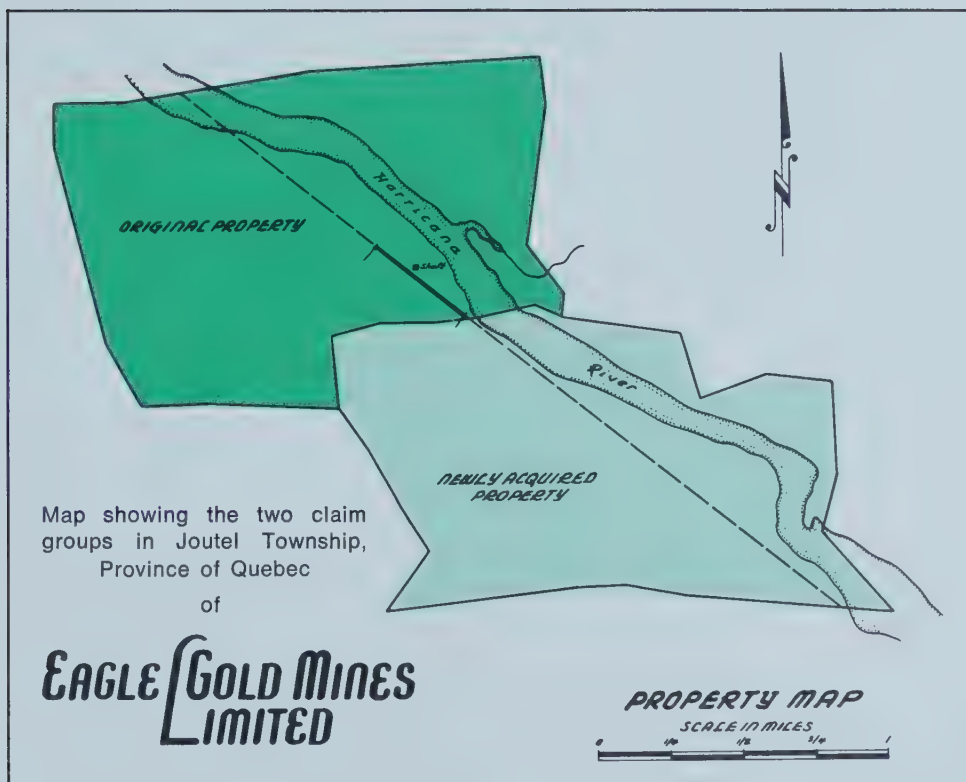
SOURCE OF FUNDS	1970	1969
Operations		
Net income for the year	\$ 120,378	\$ —
Add: Depreciation	339	339
	<u>\$ 120,717</u>	<u>\$ 339</u>
Proceeds of sale of investments	\$ 262,933	—
Less: Profit on sale included in net income above	85,153	—
	<u>\$ 177,780</u>	<u>—</u>
	<u>\$ 298,497</u>	<u>\$ 339</u>
APPLICATION OF FUNDS		
Net loss for the year	\$ —	\$ 16,296
Exploration expenditures	2,717	43,260
Purchase of mining claims and options	500	2,000
Purchase of shares of Eagle Gold Mines Limited	136,456	161,289
Due on sale of shares of Eagle Gold Mines Limited, classified as an investment	221,375	—
Investment in and advances to other companies	42	(258)
Purchase of office furniture	—	333
	<u>\$ 361,090</u>	<u>\$ 222,920</u>
DECREASE IN WORKING CAPITAL	\$ 62,593	\$ 222,581
WORKING CAPITAL, beginning of year	226,055	448,636
WORKING CAPITAL, end of year	<u>\$ 163,462</u>	<u>\$ 226,055</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1970

1. In February, 1971, the company sold 100,000 shares of Eagle Gold Mines Limited for a profit of approximately \$90,000.
2. Early in 1971, the company purchased 200,000 treasury shares of Eagle Gold Mines Limited for \$425,000. The company intends to hold these shares for investment purposes.





MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

Statement of Source and Application of Funds

FOR THE SIX MONTHS ENDED JUNE 30, 1970

(With comparative figures for the six months ended June 30, 1969)

Source of Funds	1970	1969
	Nil	Nil
Application of Funds		
Net loss for the period	\$ 94,374	\$ 5,358
Less: Charges which do not require an outlay of funds:		
Loss on revaluation of marketable securities	(76,881)	—
Depreciation	(169)	(153)
Exploration expenditures	1,232	38,499
Advances to other companies	427	—
Acquisition of mining claims	—	2,000
DECREASE IN WORKING CAPITAL	\$ 18,983	\$ 45,704
Working Capital, beginning of period	226,055	448,636
Working Capital, end of period	\$ 207,072	\$ 402,932
Current Assets	\$ 290,618	\$ 411,816
Current Liabilities	83,546	8,884
	\$ 207,072	\$ 402,932

AR53

MENTOR

EXPLORATION & DEVELOPMENT COMPANY LIMITED



**SEMI
ANNUAL
REPORT**

FOR THE PERIOD ENDED JUNE 30

1970

MENTOR EXPLORATION & DEVELOPMENT CO. LIMITED

Executive and Head Office

Suite 1101, 365 Bay Street — Toronto, Ontario

To the Shareholders:

The Board of Directors present the attached comparative financial statement of the Company for the six months ended June 30, 1970.

During the period under review, activities were principally confined to reconnaissance exploration. Several mining prospects were submitted to the Company for consideration but after reviewing the available data and carrying out field examinations of some of the more interesting showings, none of these property submissions were found to be worthy of further work.

In connection with the Company's substantial shareholding in Eagle Gold Mines Limited, your Directors wish to announce that Eagle Gold Mines Limited has recently effected a settlement of all monies owing to its suppliers, thereby securing its assets consisting of the plant and existing facilities as well as the value of the ore body at that company's Joutel Area gold property.

Your Company, through its substantial ownership of shares of Sudbury Contact Mines Limited, is indirectly participating in that company's current extensive exploration in three separate mining areas. Developments at these latter properties will be followed with understandable interest.

On behalf of the Board of Directors,

"PAUL PENNA"

President

August 24, 1970

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

Statement of Income

FOR THE SIX MONTHS ENDED JUNE 30, 1970

(With comparative figures for the
six months ended June 30, 1969)

	1970	1969
REVENUE		
Interest and dividends	\$ —	\$ 5,226
	<u>\$ —</u>	<u>\$ 5,226</u>
EXPENSES		
Administration, office and accounting	\$ 3,600	\$ 3,600
Legal and audit	2,220	1,593
Shareholders' information . .	3,106	3,056
Transfer agents' fees	963	957
Consulting fees, general . . .	1,202	287
Directors' fees	50	150
Interest and bank charges . .	1,089	173
Depreciation, office furniture	169	153
Miscellaneous	1,214	877
Donations	125	1,300
	<u>\$ 13,738</u>	<u>\$ 12,146</u>
Profit (loss) on sale and revaluation of marketable securities	(80,636)	1,562
	<u>\$ 94,374</u>	<u>\$ 10,584</u>
NET LOSS FOR PERIOD . .	<u>\$ 94,374</u>	<u>\$ 5,358</u>

MENTOR EXPLORATION AND DEVELOPMENT CO. LIMITED

Statement of Mining Claims and Properties and Deferred Exploration Expenditures

FOR THE SIX MONTHS ENDED JUNE 30, 1970

(With comparative figures for the
six months ended June 30, 1969)

	1970	1969
COST OF MINING CLAIMS AND PROPERTIES, beginning of period	<u>\$ 141,308</u>	<u>\$ 139,308</u>
Acquisition of mining claims — Poirier Township	—	2,000
	<u>—</u>	<u>2,000</u>
COST OF MINING CLAIMS AND PROPERTIES, end of period	<u>\$ 141,308</u>	<u>\$ 141,308</u>
DEFERRED EXPLORATION EX- PENDITURES, beginning of period	<u>\$ 434,219</u>	<u>\$ 489,709</u>
EXPENDITURES DURING PERIOD		
RED LAKE AREA		
Advances re drilling and exploration programme	\$ —	\$ 9,500
Consulting	—	1,516
POIRIER TOWNSHIP		
Diamond drilling	—	17,182
General	—	505
GILLIES LIMIT, COBALT		
Surveys	—	7,524
General surface explora- tion	—	1,690
OTHER PROPERTIES	<u>1,232</u>	<u>582</u>
TOTAL EXPENDITURES DURING PERIOD	<u>\$ 1,232</u>	<u>\$ 38,499</u>
LESS: Amount written off to deficit re other prop- erties	<u>1,232</u>	<u>—</u>
	<u>\$ —</u>	<u>\$ 38,499</u>
DEFERRED EXPLORATION EX- PENDITURES, end of period .	<u>\$ 434,219</u>	<u>\$ 528,208</u>